



## **EARNINGS RELEASE**

**For the periods ending  
September 30 2015 and 2014**

## 1. Highlights for 2015

- As of the end of the third quarter of 2015, the Company's revenue reached CLP\$346,686 million, an increase of CLP \$28,415 million (8.9%) in comparison to the same quarter of 2014. This increase is mainly due to higher supplied volumes, the application of tariffs due to the entry into operation of the new potable water safety infrastructure works and the tariff indexations that occurred at the beginning of April and October 2014.
- Aguas Andinas' current tariffs for the 2015-2020 period were approved through Decree N°83 which was approved on June 5th 2015 and came into effect March 1st 2015 (these tariffs were published in the Oficial Newspaper on September 3rd 2015). The new tariff decrees for the 2015-2020 period for Aguas Cordillera S.A, and Aguas Manquehue S.A are in process of being published after agreements were reached with the Superintendence of Sanitation Services in their respective tariff setting processes.
- The drought that has existed since 2010 persists in the present period. Due to this, the Company has applied contingency plans such as the purchasing of raw water, intensive use of wells, renting and purchasing water rights, amongst others. All of this has been done in order to decrease the impact of drought and ensure that Company can continue to provide quality, timely services.
- Costs increased by 13,9% mainly due to higher employee benefits of CLP\$4,041 mainly associated with a provision for the early retirement program of CLP\$2,441 million and higher salaries associated with the application of consumer price index readjustments. Additionally, the cost of raw materials and consumables increased in CLP\$6,745 million, mainly due to the increase in the cost of electricity. This cost amounted to CLP\$6.025 million at the end of the third quarter of this year, mainly due to higher tariffs, higher Kwh consumption, in addition to the acknowledgement of retroactive charges by the electricity companies amounting to CLP\$2,827 million. Additionally, other costs increased due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP\$1,513 million, higher expenses in software licenses for CLP\$1,285 million, higher client service costs for CLP\$1,279 million, and an increase in network maintenance activities for CLP \$963 million. With this, the EBITDA for the period reached CLP\$203,735 million, exhibiting an increase of CLP\$10.895 (5.6%) in comparison to the same quarter of the previous year.
- The financial result generated a loss for CLP\$34,997 million, CLP\$7,272 million less in comparison to that obtained in the same quarter of the previous year. This was mainly due to a lower revaluation of the Company's re-adjustable debt in Unidades de Fomento (Indexation Units).
- Tax expenses at the end of the third quarter of 2015 amounted to CLP\$23,614 million, CLP\$5,355 million less in comparison to the same quarter of the previous year. This variation is mainly justified by higher earnings before taxes of CLP\$16,128 million and by the change in the tax rate increasing from 21% to 22.5% due to the Tax Reform and due to the permanent differences between financial and tax results.
- Net income as of September 30 2015 amounted to CLP\$45,457 million, CLP\$5,444 higher (13.6% increase) in comparison to the third quarter of 2014.

## 2. Operating Results

| <b>Income Statement<br/>(CLP\$ millions)</b> | <b>Sep. 15</b> | <b>Sep. 14</b> | <b>% Var.</b> | <b>2015 - 2014</b> |
|--|----------------|----------------|---------------|--------------------|
| Revenues                                     | 346,686        | 318,271        | 8.9%          | 28,415             |
| Operating Costs & Expenses                   | (142,951)      | (125,431)      | 13.9%         | (17,520)           |
| EBITDA                                       | 203,735        | 192,840        | 5.6%          | 10,895             |
| D&A  | (51,225)       | (49,189)       | -4.2%         | (2,036)            |
| Operating Income (EBIT)                      | 152,510        | 143,651        | 6.2%          | 8,859              |
| Financial Result*                            | (34,977)       | (42,249)       | -17.2%        | 7,272              |
| Tax Expenses                                 | (23,614)       | (18,259)       | 29.3%         | (5,355)            |
| Net Income                                   | 45,457         | 40,013         | 13.6%         | 5,444              |

\*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units

### 2.1. Revenue Analysis

|                         | <b>Sep. 15</b>                      |                 | <b>Sep. 14</b>                      |                 | <b>Variation</b>              |             |
|-------------------------|-------------------------------------|-----------------|-------------------------------------|-----------------|-------------------------------|-------------|
|                         | <b>Sales<br/>CLP<br/>Millions\$</b> | <b>% of Rev</b> | <b>Sales<br/>CLP<br/>Millions\$</b> | <b>% of Rev</b> | <b>Sales<br/>% of<br/>Rev</b> |             |
| Potable Water           | 138,501                             | 39.9%           | 127,785                             | 40.1%           | 10,716                        | 8.4%        |
| Sewage                  | 162,029                             | 46.7%           | 149,155                             | 46.9%           | 12,874                        | 8.6%        |
| Other Regulated Revenue | 9,909                               | 2.9%            | 8,804                               | 2.8%            | 1,105                         | 12.6%       |
| Non-Regulated Revenue   | 36,247                              | 10.5%           | 32,527                              | 10.2%           | 3,720                         | 11.4%       |
| <b>Total</b>            | <b>346,686</b>                      | <b>100.0%</b>   | <b>318,271</b>                      | <b>100.0%</b>   | <b>28,415</b>                 | <b>8.9%</b> |

| <b>Sales Volume (Th. m³)</b> | <b>Sep. 15</b> | <b>Sep. 14</b> | <b>% Var.</b> | <b>Difference</b> |
|------------------------------|----------------|----------------|---------------|-------------------|
| Potable Water                | 425,818        | 416,936        | 2.1%          | 8,882             |
| Sewage Collection            | 410,062        | 403,417        | 1.6%          | 6,645             |
| Sewage Treatment & Disposal  | 356,316        | 351,131        | 1.5%          | 5,185             |
| Interconnections *           | 93,675         | 92,246         | 1.5%          | 1,429             |
| <b>Customers</b>             | <b>Sep. 15</b> | <b>Sep. 14</b> | <b>% Var.</b> | <b>Difference</b> |
| Potable Water                | 2,134,086      | 2,081,873      | 2.5%          | 52,213            |
| Sewage Collection            | 2,080,908      | 2,030,580      | 2.5%          | 50,328            |

\* Interconnections include the Treatment and Disposal of Sewage from other Sanitation Companies

## Regulated Business

### 1. Potable Water

Potable water revenues as of the third quarter of 2015 totaled CLP\$138,501 million. This is an increase of CLP\$10,716 million in comparison to the same quarter of the previous year. The higher level of revenue was caused in part by higher potable water sales volumes billed during 2015, which was 2.1% higher than in 2014. In addition to this, there was a higher average tariff due to the application of new tariffs. These new tariffs include the potable water safety infrastructure works that were incorporated in March 2014 and the inflation indexations that were registered at the beginning of April and October 2014 that adjust the tariffs associated to the variations of the existing polynomial.

### 2. Sewage

Revenues from sewage as of the third quarter of 2015 reached CLP\$162,029 million, exhibiting an increase of 8.6% in comparison to the CLP\$149,155 million registered as of the same quarter of the previous year. The CLP\$12,874 million increase was due to an increased sales volume of 6.6 million m<sup>3</sup> and a higher average tariff due to the tariff indexations registered at the beginning of April and October 2014.

### 3. Other Regulated Revenue

This segment had a CLP\$1,105 million increase mainly due a provision due to tariff readjustments of \$2,376 million, due to the delay in the publication of the new tariff decree. This was compensated by a lower provision for sales volume when compared to the same quarter in 2014.

## Non-Regulated Revenue

Non-Regulated revenues increased by CLP\$3,722 million as of the third quarter of 2015 in comparison to the same quarter of the previous year. This variation was explained by:

### 1. Sanitation Services

An increase of CLP\$2,476 million mainly due to a higher number of services related to the transfer of sanitation infrastructure solicited by third parties in addition to more services solicited by clients. This was compensated by less agreements with developers.

### 2. Non-Sanitation Services

An increase of CLP\$1,244 million which is mainly explained by more activity in EcoRiles S.A. and Gestión y Servicios S.A.

| (CLP MM\$)                                    | Sep. 15       | Sep. 14       | Var. %      |
|---|---------------|---------------|-------------|
| Gestión y Servicios S.A.                      | 6,575         | 5,907         | 11,3%       |
| EcoRiles S.A.                                 | 9,170         | 8,635         | 6,2%        |
| Anam S.A.                                     | 2,374         | 2,402         | -1,2%       |
| Aguas del Maipo S.A.                          | 640           | 569           | 12,5%       |
| Inversiones Aguas Metropolitana S.A.          | 4             | 6             | 0,0%        |
| <b>Non-regulated, non-sanitation products</b> | <b>18,763</b> | <b>17,519</b> | <b>7,1%</b> |

## **2.2. Cost Analysis**

### **Raw Materials and Consumables Used**

As of September 30 2015, the cost of raw materials and consumables used totaled CLP\$28,317 million, an increase of CLP\$6,745 million in comparison to that obtained as of the third quarter of 2014. The increase in these costs is due mainly to the cost of electricity of CLP\$6,025 million. The increase in electricity costs is due to higher tariffs and a higher consumption of Kwh associated with an increase in the elevation of ground water in addition to the acknowledgement of retroactive charges by the electricity companies for CLP\$2,827 million.

### **Personnel Expenses**

At the end of the third quarter of 2015, personnel expenses amounted to CLP\$37,622 million, CLP\$4,041 million higher than the same period of the previous year. This was mainly due to a provision associated with an early retirement program for CLP\$2,441 million, in addition to higher salaries associated to inflation adjustments and the end of collective bargaining bonus for CLP\$481 million.

### **Depreciation and Amortization Expenses**

As of September 30 2015, depreciation and amortization totaled to CLP\$51,225 million, CLP\$2,036 million higher than that obtained in the same period of 2014. This increase was mainly due to the depreciation of the new commercial system and new investments that were incorporated during the period.

### **Other Expenses**

At the end of the third quarter of 2015, these expenses totaled CLP\$77,012 million, a CLP\$6,733 million increase to that obtained as of the same quarter of 2014. This was explained due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP\$1,513 million, software licenses for \$1,285 million, an increase in network maintenance for CLP\$963 million, and increased client service costs for CLP\$1,279 million. In addition to this, there were higher operating costs of the sewage treatment plants due to higher volume treated and UF (indexation units) readjustment for CLP\$815 million and higher Communications and Advertisement expenses for CLP\$301 million (mainly due to the Fire Hydrant Campaign).

## **2.3. Analysis of Financial Results and Other Results**

### **Financial Income**

At the end of the third quarter of 2015, financial income amounted to CLP\$4,359 million, a CLP\$240 million increase to that obtained in the same quarter of 2014. This is explained by higher repurchases of promissory notes (AFR) and higher interests charged to clients.

### **Financial Costs**

At the end of the third quarter of 2015, financial costs totaled CLP\$21,124 million, a CLP\$2,404 million decrease in costs to those obtained as of the same quarter of 2014. The latter is explained by lower bond amortization and interest, which is partially due to that during 2014, Bond Series F, which had an interest rate of 4.15%, was pre-paid using Bond Series W with an interest rate of 3.16%. In addition to this, there are lower bank-loan interest expenses due to a lower TAB rate in comparison to the previous period. This is partially compensated by an increase in promissory note (AFR) expenses due to an increase in the level of this debt.

### **Results from Indexation**

At the end of the third quarter of 2015, results from indexation reached CLP\$18,197 million, determined by a lower expense of CLP\$4,619 million in comparison to the same period in 2014, this is mainly due to a lower debt revaluation due to a lower variation of the UF (indexation units) in comparison to the third quarter of 2014.

### **Expense (Income) due to Income Tax**

The provision for income taxes at the end of the third quarter of 2015 totaled CLP\$23,614 million, CLP\$5,355 million higher in comparison to the same quarter of the previous year. This variation is justified mainly by higher earnings before taxes of CLP\$16,128 million, the change in tax rate from 21% to 22.5% due to the Tax Reform, and due to the permanent differences between financial and tax results.

### **Net Income**

Net income as of September 30 2015 amounted to CLP\$45,457 million, CLP\$5,444 million higher (13.6%) than that obtained as of the third quarter of 2014.

### 3. Quarterly Results

| <b>Income Statement<br/>(CLP\$ millions)</b> | <b>3Q15</b> | <b>3Q14</b> | <b>% Var.</b> | <b>3Q15 – 3Q14</b> |
|--|-------------|-------------|---------------|--------------------|
| Revenues                                     | 103,393     | 96,099      | 7.6%          | 7,294              |
| Operating Costs & Expenses                   | (47,065)    | (43,139)    | 9.1%          | -3,926             |
| EBITDA                                       | 56,328      | 52,960      | 6.4%          | 3,368              |
| D&A  | (17,313)    | (17,589)    | -1.6%         | 276                |
| Operating Income (EBIT)                      | 39,015      | 35,371      | 10.3%         | 3,644              |
| Financial Result*                            | (15,038)    | (12,180)    | 23.5%         | -2,858             |
| Tax Expenses                                 | (4,227)     | (5,340)     | -20.8%        | 1,113              |
| Net Income                                   | 9,360       | 8,248       | 13.5%         | 1,112              |

*\*Includes financial revenue, financial costs, exchange rate differences and results due to indexation units*

#### 3.1. Revenue Analysis

##### Operating Revenues

Ordinary revenues for the third quarter of 2015 amounted to CLP\$103,393 million, CLP\$7,294 million higher (7.6% increase) to that obtained in the same quarter of the previous year. This increase is mainly due to higher supplied volumes, in addition to higher average tariffs due to the tariff indexations that occurred in October 2014. It is important to note that a revenue provision was included due to tariff re-adjustments due to the delay in the publication of the new tariff decree. Additionally, higher revenues were generated due to higher revenues generated by Gestión y Servicios S.A. for CLP\$576 million due to material sales.

#### 3.2. Cost Analysis

##### Raw Materials and Consumables Used

In the third quarter of 2015, the cost of raw materials and consumables used totaled CLP\$9,751 million, an increase of CLP\$1,985 million in comparison to that obtained in the same quarter of 2014. The increase in is mainly due to higher electricity costs of CLP\$1,347 million due to higher tariffs, higher consumption, and the acknowledgement of retroactive charges by the electricity companies.

##### Personnel Expenses

At the end of the third quarter of 2015, personnel expenses amounted to CLP\$11,781 million, CLP\$237 million lower than the same quarter of the previous year. This was mainly due to lower compensations (extraordinary benefits given to personnel due to Aguas Andinas' collective negotiation process during 2014), partially compensated by higher salaries associated to inflation adjustments.

##### Depreciation and Amortization Expenses

Depreciation and amortization for the third quarter of 2015 amounted to CLP\$17,313 million, CLP\$276 million lower than that obtained in the same quarter of 2014.

## **Other Expenses**

During the third quarter of 2015, other expenses totaled CLP\$25,533 million, a CLP\$2,177 million increase to that obtained in the same quarter of 2014. This was explained due to higher activity related to the transfer of sanitation infrastructure solicited by third parties for CLP\$624 million, software licenses for \$516 million, increased client service costs for CLP\$643 million (mainly due to an increase in the activity level in the Potable Water replacement services, meter readings and phone assistance). In addition to this, there were higher operating costs of the sewage treatment plants due to the UF (indexation units) readjustment and due to higher volume treated and for CLP\$231 million.

### **3.3. Analysis of Financial Results and Other Results**

#### **Financial Income**

Financial income for the third quarter of 2015 amounted to CLP\$1.336 million, CLP\$205 million higher than that obtained in the same quarter of 2014. This was mainly explained by a greater availability of temporary cash surpluses.

#### **Financial Costs**

Financial costs for the third quarter of 2015 totaled CLP\$7,129 million, a CLP\$2,385 million decrease in costs to those obtained in the same quarter of 2014. This decrease is mainly due to the pre-payment of the Series F bond which had an interest rate of 4.15% and which was refinanced with the Series W bond with an interest rate of 3.16% generating savings for CLP\$2,041 million.

#### **Results from Indexation**

Results from indexation for the third quarter of 2015, resulted in losses of CLP\$9,217 million, determined by higher expenses of CLP\$5,423 million in comparison to the third quarter of 2014, this was mainly due to a higher debt revaluation due to a higher variation of the UF (indexation units) in comparison to the same quarter of 2014.

#### **Expense (Income) due to Income Tax**

The provision for income taxes for the third quarter of 2015 totaled CLP\$4,228 million, CLP\$1,112 million higher in comparison to the same quarter of the previous year. This variation is justified mainly by higher deferred taxes associated with the variation of the tax rate between the deferred tax rate of 27% versus the tax rate applied for the corresponding quarter of 22.5%. This is in addition to the permanent differences that positively affect the amount associated with taxes.

#### **Net Income**

Net income for the third quarter of 2015 amounted to CLP\$9,360 million, CLP\$1,112 million higher (a 13.5% increase) than that obtained in the same quarter of 2014.



#### 4. Balance Sheet

|   | Sep. 15          | Dec. 14          |             |
|---|------------------|------------------|-------------|
|   | CLP Millions     | CLP Millions     | % Var.      |
| <b>Assets</b>                                       |                  |                  |             |
| Current Assets                                      | 135,695          | 128,642          | 5.5%        |
| Long-Term Assets                                    | 1,763,840        | 1,750,739        | 0.7%        |
| <b>Total Assets</b>                                 | <b>1,899,535</b> | <b>1,879,381</b> | <b>1.1%</b> |
| <b>Liabilities &amp; Shareholder's Equity</b>       |                  |                  |             |
| Current Liabilities                                 | 163,221          | 177,518          | -8.1%       |
| Long-Term Liabilities                               | 786,847          | 763,838          | 3.0%        |
| <b>Total Liabilities</b>                            | <b>950,068</b>   | <b>941,356</b>   | <b>0.9%</b> |
| Shareholder's Equity                                | 583,847          | 577,634          | 1.1%        |
| Minority Interest                                   | 365,620          | 360,391          | 1.5%        |
| <b>Total Shareholder's Equity</b>                   | <b>949,467</b>   | <b>938,025</b>   | <b>1.2%</b> |
| <b>Total Liabilities &amp; Shareholder's Equity</b> | <b>1,899,535</b> | <b>1,879,381</b> | <b>1.1%</b> |

#### **Assets**

Inversiones Aguas Metropolitanas S.A.'s consolidated total assets as of September 30 2015 had an increase of 1.1% in comparison with December 31 2014, going from CLP\$1,606,472 million to CLP\$1,899,535 million.

Current assets increased by CLP\$7,053 million, mainly due to an increase in accounts receivable from related entities for CLP\$5,442 mainly due to the pre-payment of works to Degremont S.A. for the expansion of the fourth module of the Mapocho Trebal Sewage Treatment Plant.

Long-term assets increased by CLP\$13.101 million, mainly due to an increase higher investments conducted during the period. The following were the main investments during the period:

| <u>Investments (CLP Millions)</u>                          | <u>Sep.15</u> |
|--|---------------|
| Expansion of the Fourth Module of the Trebal-Mapocho Plant | 10,015        |
| Preventive renovation of Sewerage Network                  | 5,349         |
| Improvement in Filtration Systems in the Vizcachas Plant   | 4,525         |

## Liabilities & Shareholder's Equity

Total liabilities as of September 2015 increased by CLP\$8,712 million in respect to December 2014.

Current liabilities decreased by CLP\$14,297 million (8.1%). This variation was mainly due to the payment of interim dividends that occurred in January 2015.

Long-term liabilities increased by CLP\$23,009 million (3.0%). The main variations were due to an increase in promissory notes (AFRs) of CLP\$15,779 million, in addition to greater obligations in long-term bonds for CLP\$12,995 million due to the revaluation of the debt in UF and the issuance of the Series X bond in April 2015.

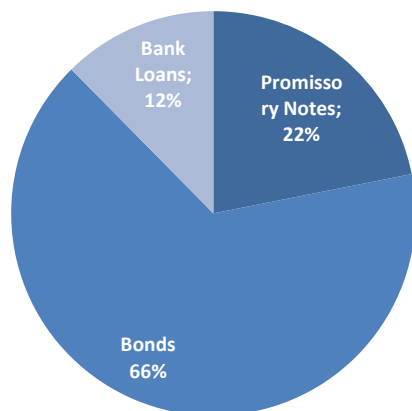
Total shareholders' equity increased by CLP\$11,442 million and the net equity attributable to the controllers increased by CLP\$6,213 million, explained by the earnings generated as of the third quarter of 2015, compensated by the distribution of dividends corresponding to the 2014 financial year.

The table below outlines the amortization profile of consolidated debt as of September 30, 2015 (figures include only capital in millions of CLP\$):

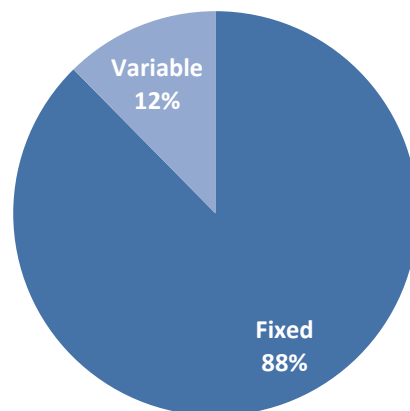
|                  | Currency | Total          | 1 - 12 months | 1 - 3 years   | 3 - 5 years    | more than 5 years |
|------------------|----------|----------------|---------------|---------------|----------------|-------------------|
| Promissory Notes | \$       | 173,359        | 7,381         | 38,697        | 19,139         | 108,142           |
| Bonds            | \$       | 520,730        | 55,966        | 21,698        | 36,849         | 406,217           |
| Bank Debt        | \$       | 98,141         | 10,622        | 10,283        | 61,218         | 16,018            |
| <b>Total</b>     |          | <b>792,230</b> | <b>73,969</b> | <b>70,678</b> | <b>117,206</b> | <b>530,377</b>    |

### Financial Liabilities Structure

Composition by Instrument Type



Composition by Debt Type



## 5. Consolidated Cash Flows

| Cash Flow Statement (CLP\$ millions)                  | Sep. 15       | Sep. 14        | % Var.        |
|---|---------------|----------------|---------------|
| Net Cash Flow from Operating Activities               | 166,616       | 160,708        | 3.7%          |
| Net Cash Flow from Investing Activities               | -65,038       | -60,922        | 6.8%          |
| Net Cash Flow from Financing Activities               | -103,681      | -127,041       | -18.4%        |
| <b>Total Net Cash Flow for the Period</b>             | <b>-2,103</b> | <b>-27,255</b> | <b>-92.3%</b> |
| <b>Closing Balance of Cash &amp; Cash Equivalents</b> | <b>25,617</b> | <b>13,044</b>  | <b>96.4%</b>  |

The net cash flow from operating activities increased by CLP\$5,908 million, when comparing September 2015 to September 2014.

The main variations were as follows:

- Increase in charges due to sales of goods and services for CLP\$30,312 million mainly due to higher sales volume and a higher average tariff.

This variation was partially compensated by the following concepts:

- An increase in the payment to suppliers for CLP\$12,041 million mainly associated to higher payments to maintenance and Potable Water and Sewerage network repair suppliers and electricity payments. The latter has been due to higher costs, higher consumption and resettlements due to retroactive charges
- An increase in the benefits paid to employees for CLP\$3,583 million due to the early retirement program which launched during 2015, in addition to extraordinary benefits given to employees associated with Aguas Andinas' collective negotiation with unions which took place in September of this year.
- An increase in other payments for operation activities for CLP\$2,184 million due to higher value added taxes paid.
- An increase of CLP\$7,611 million for the payment of capital gains tax which has been due to the change in the Provisional Monthly Payment tax rate for the 2015 period, in addition to higher sales.

The disbursement for investment activities increased by CLP\$4,116 million mainly due to an advancement of the construction for the civil works and equipment for the extension of the Mapocho Plant and the Hydraulic Efficiency Plan for the Group's network.

Financing activities generated a negative variation of net cash flow of CLP\$23,360 million due the payment of the Bond Series G and F that occurred in 2014. The latter was compensated by a decrease in short and long-term bank loans for CLP\$131,421 million.

## 6. Financial Ratios

|                         |       | Sep. 15 | Dec. 14 |
|-------------------------|-------|---------|---------|
| <b>Liquidity</b>        |       |         |         |
| Current Ratio           | times | 0.8     | 0.7     |
| Acid Test Ratio         | times | 0.2     | 0.2     |
| <b>Leverage</b>         |       |         |         |
| Total Leverage          | times | 1.0     | 1.0     |
| Current Leverage        | times | 0.2     | 0.2     |
| Long-term Leverage      | times | 0.8     | 0.8     |
| Interest Coverage Ratio | times | 6.8     | 5.8     |
| <b>Return</b>           |       |         |         |
| ROE                     | %     | 11.0    | 10.1    |
| ROA                     | %     | 3.4     | 3.2     |
| Earnings Per Share      | CLP\$ | 64.2    | 58.7    |
| Dividend Yield*         | %     | 6.1     | 6.2     |

**Current Ratio:** *Currents Assets / Current Liabilities.*

**Acid Test Ratio:** *Cash and Cash Equivalents / Current Liabilities.*

**Total Leverage:** *Total Liabilities / Total Shareholders' Equity.*

**Current Leverage:** *Current Liabilities / Total Liabilities.*

**Long-Term Leverage:** *Long-Term Liabilities / Total Liabilities.*

**Interest Rate Coverage:** *Net Income before Taxes / Financial Costs.*

**ROE:** *Net Income / Average Assets.*

**ROA:** *Net Income / Average Assets.*

**Earnings per Share:** *Net Income / Total Shares.*

**Dividend Yield:** *Dividends Paid / Share Price*

\*Share price as of September 30, 2015 was \$961.68. As of December 31, 2014, the share price was \$940.12

As of September 2015, the current ratio had an increase of 15.3% due to a decrease in current liabilities of CLP\$14, 296 million (8.1%) and an increase in current assets of CLP\$7,053 million (5.5%) in comparison to December 2014. The main variations in assets are explained by an increase of CLP\$5,442 million in accounts receivable from related entities due to the pre-payment of works to Degrémont S.A. for the expansion of the fourth module of the Mapocho Trebal Sewage Treatment Plant. In addition, the current liabilities decreased due to the interim dividend payment in January 2015.

Total leverage maintained constant levels, however, we can mention that there was an increase in total liabilities for CLP\$8,712 million mainly due to an increase in promissory notes for CLP\$15,779 million. This is in addition to an increase in obligations in long-term debt for CLP\$12,995 million due the revaluation of the debt in UF and the issuance of the Series X bond in April 2015. This was all compensated with the interim dividend payment in January 2015. In addition to this, total shareholders' equity increased by CLP\$11,442 million due to the earnings of the period, compensated with the distribution of dividends for the 2014 financial year.

The annualized return on equity attributable to the controller increased by 8.8% due to an increase of CLP\$5,443 million in earnings as of September 2015, compensated by an increase of CLP\$2,275 million in average equity in comparison to 2014.

## 7. Other Information

### Tariffs

The most important factor that determines the Company's results of operations and financial condition are the tariffs set for regulated services. As a water utility, the Company is regulated by the SISS, and our tariffs are set in accordance with the tariff law DFL No. 70 of 1988.

Tariffs are reviewed and set every five years and are adjusted in the interim period based on a polynomial index. The accumulated variation of the polynomial index must reach 3.0% or higher to produce a tariff adjustment. The polynomial index includes various inflation indices, specifically the Consumer Price Index (IPC), the Imported Goods of the Manufacturing Sector Price Index (IPBIM) and the Manufacturing Producers Price Index (IPPIM). These indices are all published by the National Institute of Statistics (INE).

The latest adjustments for tariff indexations for each group/company were applied on the following dates:

#### **Aguas Andinas S.A.:**

|                    |  |
|--------------------|--|
| Group 1            | September 2013, March 2014 (tariff adjustment for new security works), April, and October 2014 |
| Group 2            | September 2013, April, and October 2014  |
| Rinconada de Maipú | July 2013, March 2014, and March 2015  |

#### **Aguas Cordillera S.A.:**

August 2013, April, and October 2014 and June 2015

#### **Aguas Manquehue S.A.:**

|                |  |
|----------------|--|
| Santa María    | July 2013, January 2014, July 2014, and March 2015 |
| Chicureo       | August 2013, March 2014 and September 2014         |
| Chamisero      | July 2012, March 2014, and March 2015              |
| Valle Grande 3 | July 2012, March 2014, and March 2015              |

#### **Essal S.A.:**

|             |   |
|-------------|---|
| Group 1     | December 2013, April 2014, and October 2014 |
| Group 2     | December 2013, April 2014, and October 2014 |
| Group 3     | December 2013, April 2014, and October 2014 |
| Chinquihue  | August 2013, February, and September 2014   |
| Los Alerces | April 2013, January, and September 2014     |

In addition, tariffs may also be adjusted when additional services/investments become operational. These adjustments are previously authorized by the SISS.

Aguas Andinas' current tariffs for the 2015-2020 period were approved by the Ministry of Economy, Development and Reconstruction through Decree N°83 which was approved on June 5th 2015 and came into effect March 1st 2015 (these tariffs were published in the Official Newspaper on September 3rd 2015). To this date, the new tariff decrees for Aguas Cordillera S.A. y Aguas Manquehue S.A., for the 2015-2020 period are in the process of being published, after the respective agreements arrived at with the Superintendence of Sanitation Services, in their respective tariff setting processes. Essal S.A. concluded its last tariff negotiation process in 2011 for the 2011-2016 period, and new rates were approved by Decree No. 116, on August 31, 2011.

For ESSAL, the relevant dates for the tariff process have been published. Bases to the study will be observed on August 11 2015, the tables with historical information will be provided on October 28, 2015, studies will be interchanged on March 8, 2016, and the new tariffs will come into force on September 12, 2016.

## **Market Risk**

Our Company has a favorable situation in terms of risk, mainly due to the particular characteristics of the sanitation industry. Operational results follow a seasonal pattern and may vary from quarter to quarter. The highest levels of demand and revenues are registered during the summer months (December to March) and lower levels of demand and revenues during the winter months (June to September). In general, demand for water is higher in warmer months, mainly due to the additional water needs caused by irrigation and other outdoor water uses.

Adverse weather conditions could potentially affect optimal delivery of services, because the processes of extracting and producing drinking water depend largely on weather conditions that develop in watersheds. Climate factors such as rainfall, snow, hail, temperature and moisture as well as other factors such as sediment and water levels in rivers determine not only the quantity, quality and continuity of raw water available at each intake point, but also determine the probability that water is properly treated in the water treatment plants.

In the event of prolonged drought, the Company has significant reserves of water that in the El Yeso, Laguna Negra and Lo Encañado reservoirs. Additionally the Company has developed contingency plans to mitigate the effects from adverse climate conditions that could affect our operations. The Metropolitan Region has been affected by drought conditions since 2010. The Company has implemented several contingency plans such as the purchase raw water, increase use of wells and the lease and purchase of water rights, among other measures to reduce the impact of the drought and continue to provide quality, timely services.

## **Market Analysis**

The market in which the Company participates has not varied given that by the nature of its services and under current legislation, it has no competition in its concession area.

Aguas Andinas S.A. has 100% service coverage in drinking water, 98.7% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Cordillera S.A. has 100% service coverage in drinking water, 98.8% service coverage in sewage collection and 100% service coverage in sewage treatment.

Aguas Manquehue S.A. has 100% service coverage in drinking water, 99.4% service coverage in sewage collection and 100% service coverage in sewage treatment.

Essal S.A. has 100% service coverage in drinking water, 95.6% service coverage in the X Region and 92.0% in the XIV Region of sewage collection and 100% service coverage in sewage treatment.

## Capital Investments

One of the variables that influence the results of the operations and the financial condition of the Company are capital investments. There are two types:

**Committed Investments:** The Company has the obligation to agree on an investment plan with the industry regulator (S.I.S.S). The investment plan outlines investments that will be made in the subsequent 15-year period. Specifically, the plan includes certain projects related to maintaining certain quality standards and service coverage. The investment plan is subject to review every five years, and amendments may be made given certain circumstances.

Committed investments include several projects related to sewage treatment such as the construction of the Mapocho Urban Treatment Plan (MUL), in operation since 2010, the Mapocho Sewage Treatment Plant and the La Farfana-El Trebal Connector. These investments were important milestones in achieving the goal of 100% sewage coverage treatment, which was reached in 2013. There are additional important committed investments developed to increase network autonomy such as: additional storage tanks, with the most relevant tank being one built at the Las Vizcachas plant which will have a capacity of 160,000 m<sup>3</sup>; the CAYA project which will connect the El Yeso reservoir with the Azulillos sector (capacity of 4.0 m<sup>3</sup>/s; length of connection is 5km); and additional drilling in the Cerro Negro area to increase capacity (500 l/s). These investments aimed to improve the quality and availability of water, especially in emergencies.

Dates of approval and dates of updates to the investment plan for the Aguas Group:

### **Aguas Andinas S.A.**

Gran Santiago: May 16 2011

Other Areas: September 12 2012, April 5 2013, September 26 2013, December 31 2014 and January 12 2015.

### **Aguas Cordillera S.A.**

Aguas Cordillera and Villa Los Dominicos: October 18 2011

### **Aguas Manquehue S.A.**

Santa María and Los Trapenses: December 23 2014

Chicureo, Chamisero, and Valle Grande III: December 29 2011

Alto Lampa: November 22 2013

### **Essal S.A.**

X and XIV Region: December 30 2010

**Uncommitted Investments:** Uncommitted investments are those investments that are not included in the committed investment plan that the Company chooses to carry out voluntarily to ensure the quality of services and to replace obsolete assets. These investments are generally related to the replacement of network infrastructure and other assets, the acquisition of certain water rights and investments in unregulated businesses, among others.

According to IAS 23 of the International Financial Reporting Standards (IFRS), the current accounting standard in Chile, interest on capital investments is capitalized during the construction phase. IAS 23 outlines that when a company acquires debt in order to finance investments, the interest on that debt must be subtracted from financial expenses and incorporated into the financed construction project, for up to the full amount of interest. Consequently, the financial costs associated with our capital investment plan affects the amount of financial expenses recorded in the income statement. These financial costs are recorded along with ongoing works in the line item Property, Plant and Equipment of the balance sheet.

## Financial Aspects

**Currency Risks:** Our revenues are largely linked to the evolution of the local currency (Chilean peso). Because of this factor, the Company's debt is mainly denominated in Chilean pesos or financial instruments linked to the Chilean peso, specifically the UF. As a result, the Company does not significant risk of foreign currency transactions.

**Interest Rate Risk:** As of September 30, 2015, Inversiones Aguas Metropolitana S.A.'s interest rate profile consisted of 87.8% fixed rate and 12.2% variable rate. The fixed rate debt includes short-term and long-term bonds (75.2%) and promissory notes (24.8%), while the variable rate debt includes bank debt with local financial institutions.

As of December 31, 2014, Inversiones Aguas Metropolitana S.A.'s interest rate profile consisted of 85.2% fixed rate and 14.8% variable rate. The fixed rate debt includes short-term and long-term bonds (75.9%) and promissory notes (24.1%), while the variable rate debt includes bank debt with local financial institutions.

The company has a policy of monitoring and managing its interest rate, with the aim of optimizing the cost of financing. It continuously evaluates available hedging instruments in the financial market.

This favorable situation has meant that the local rating agencies have assigned the Company a solvency rating of AA+. In the case of our stocks, Feller Rate has assigned us a rating of first class Level 1 and Fitch Ratings has assigned us a rating of first class Level 2.